

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 510 - HB 514

March 23, 2015

SUMMARY OF BILL: Expands the definition of a domestic holding company under the Credit Card State Bank Act to mean a company, itself or through its parent company, subsidiary, or other affiliate, that either: (1) controls a domestic or foreign lender and has its principal place of business in Tennessee; or (2) controls a company, or is a company that: (a) is a licensed money transmitter; (b) has a consolidated net worth of at least \$25,000,000; and (c) has had its principal place of business in Tennessee for at least 5 years, including the company's predecessor by merger. Extends the sunset date of such definition including a company that controls or is a licensed money transmitter, from July 1, 2015, to July 1, 2018.

ESTIMATED FISCAL IMPACT:

On February 20, 2015, a fiscal note was issued estimating a fiscal impact as follows:

Other Fiscal Impact – To the extent this bill results in additional companies that would qualify, apply and form a credit card state bank, there would be a one-time increase in state revenue and a one-time increase in state expenditures to DFI of \$20,000 for each new bank. Any recurring impact to DFI is estimated to be not significant. To the extent the bill does not result in any additional companies that would qualify, apply and form a credit card state bank, any fiscal impact to the state government would be not significant.

Presented more directly, the estimated fiscal impact is:

(CORRECTED)

Increase State Revenue – \$20,000/One-Time/Department of Financial Institutions

Increase State Expenditures – \$20,000/One-Time/Department of Financial Institutions

Assumptions:

- The Department of Financial Institutions (DFI) reports that no entities have applied to be a credit card state bank under this Act in previous years.
- To the extent broadening the definition of a domestic holding company and extending certain provisions under the Act results in one additional company that qualifies, applies

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and forms a credit card state bank, the Department will recognize a one-time increase in application fee revenue of \$20,000.

- Given the initial one-time application fee is established by DFI for the purpose of offsetting all initial expenditures that the department will incur as a result of the additional regulatory responsibilities applicable to a newly licensed institution, the department is expected to expend this one-time fee revenue to cover incurred costs; thus for each licensed credit card state bank, there will be a one-time expenditure of \$20,000.
- Any operational impact to DFI as a result of performing annual regulatory examinations will be not significant because the Banking Division is a self-supporting entity through the assessment of annual fees.
- Each new credit card state bank will be assessed the annual bank assessment fee pursuant to Tenn. Code Ann. § 45-1-118. Any such assessment fees imposed on credit card state banks will not result in a significant increase in state revenue, as fees are based upon the Department's budget in relation to each bank's asset size, and thus, any additional fees imposed on credit card state banks would lower the assessment fees allocated to other state banks.
- It is estimated that one new credit card state bank will be licensed in FY15-16.

IMPACT TO COMMERCE:

Other Impact – The proposed legislation could result in increased competition in the financial services industry as more companies become qualified to form a credit card state bank. However, due to multiple unknown factors, any financial and jobs impacts cannot be quantified with reasonable certainty.

Assumption:

- The proposed legislation could allow a currently ineligible company to apply to the Department of Financial Institutions to organize, own and control a credit card state bank, resulting in increased financial services competition and a potential increase in the number of jobs in the financial industry. However, due to multiple unknown factors, any such increase in the number of jobs, and any impacts on industry revenue and expenditures cannot be determined with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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